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SBA's Hidden Role In Rural Health

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WYOMING - Most Americans are probably unaware of SBA's sometimes hidden role or the influence played in rural America. One area of great concern is the continuation of medical care and services in these heartland communities. With the shrinking of rural populations, coupled with the aging of the populace, comes the dilemma physicians have of trying to retire and pass on their practices, and assure their community continues to have medical coverage. Credit problems arise from the sale of these practices as most of the value or sale price is usually tied to the patient list. In the lending arena this is more commonly referred to as blue sky. The inference here is the fact that there are no tangible assets with which to secure this type of loan for the lenders.

Another problem is the market itself. Physicians have strong ties to their communities. In order to preserve these practices they normally are forced to recruit or entice recent medical school graduates into coming to their communities, with the hope that they will stay and buy the practice. Credit problems arise when local lenders look at the financial statements of these recent graduates and discover most of them have negative net worths ranging from \$100,000 to \$200,000 in liabilities from student loans for their educations. SBA's loan policies allow our Agency to overlook these normally temporary negative net worth scenarios, and in fact give credit for their professional diplomas. SBA has been very successful working with local community bankers and practicing physicians to provide the necessary loan guaranties to assure a smooth transition or even a new start up. The combination lends itself to a "win-win" situation as rural America is allowed to keep their valued medical services and patients do not have to travel large distances to the larger cities to receive health care.

For more information on rural lending visit Small Business Administration's web site at <http://www.sba.gov/wy> or call us at 307-261-6500.

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